

Message Text

LIMITED OFFICIAL USE

PAGE 01 FRANKF 05471 230754Z
ACTION EUR-12

INFO OCT-01 EA-07 NEA-10 ISO-00 AID-05 CIAE-00 COME-00
EB-07 FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00
XMB-02 OPIC-03 SP-02 LAB-04 EPG-02 SIL-01 OMB-01
NSC-05 SS-15 STR-04 CEA-01 L-03 H-01 PA-01 PRS-01
/104 W

-----049404 230952Z /15

R 230622Z JUL 77
FM AMCONSUL FRANKFURT
TO SECSTATE WASHDC 8780
INFO AMEMBASSY BONN
AMEMBASSY BERN
AMEMBASSY BRUSSELS
AMEMBASSY COPENHAGEN
AMEMBASSY LONDON
AMEMBASSY PARIS
AMEMBASSY STOCKHOLM
AMEMBASSY THE HAGUE
AMEMBASSY TOKYO
AMEMBASSY VIENNA
AMEMBASSY JIDDA

LIMITED OFFICIAL USE FRANKFURT 5471

E.O. 11652: N/A
TAGS: EFIN, GW, US
SUBJECT: FRANKFURT BANKERS VIEWS ON RECENT DOLLAR DECLINE

1. LEADING FRANKFURT COMMERCIAL BANKERS FROM ALL
MAJOR GERMAN BANKS APPEAR CALM DESPITE THE DECLINE OF
THE DOLLAR VIS-A-VIS THE DEUTSCHE MARK WHICH MANY
ASSERT THAT THEY ANTICIPATED. (THESE VIEWS CONTRAST
WITH GERMAN MEDIA WHICH MAINTAINS THAT THE UNITED
STATES GOVERNMENT DELIBERATELY PROVOKED THE
WEAKENING OF THE DOLLAR AS A MEANS OF TRANSFERRING
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 FRANKF 05471 230754Z

THE ADJUSTMENT BURDEN TO STRONGER CURRENCIES.) THEY
ATTRIBUTE THE CURRENT FALL OF THE DOLLAR AGAINST THE
DEUTSCHE MARK TO (A) THE ANTICIPATED 1977 U.S.
TRADE DEFICIT, AND (B) A HIGHER INFLATION RATE IN THE
UNITED STATES THAN IN GERMANY.

2. THESE BANKING SOURCES WOULD NOT BE SURPRISED IF

THE DOLLAR TOUCHED AS LOW AS DM 2.20, BUT ANTICIPATE A RECOVERY THERE WITH STABILIZATION IN THE RANGE OF DM 2.25-2.30. A NUMBER OF BANKERS HAVE TOLD US THAT, TO BE ON THE PRUDENT SIDE THEY ARE PLANNING ON A DOLLAR AT DM 2.25 THROUGH THE REMAINDER OF THIS YEAR.

3. COMMENTS ON INTERVENTION OR LACK THEREOF BY FED AND/OR DBUNDESBANK INCLUDE WIDESPREAD BELIEF THAT THERE WAS IMPLICIT GERMAN-AMERICAN AGREEMENT AS FAR BACK AS THE JANUARY 1977 VISIT BY VICE PRESIDENT MONDALE TO ALLOW AN ORDERLY DOLLAR READJUSTMENT TO AROUND THE DM 2.25-2.20 LEVEL PLUS BELIEF THAT STRONG BUNDESBANK INTERVENTION WOULD BE EFFECTIVE ONLY AT A POINT AT WHICH THE MARKET SHOWS EVIDENCE OF DISPOSITION TO MAKE A TURN - AROUND.

4. MOST BANKERS VOICED CONCERN FOR IMPORTANT GERMAN EXPORT SALES AND EMPLOYMENT IN GERMANY. UPON CLOSER QUESTIONING, HOWEVER, ALL CONCEDED ACTUAL EFFECTS WILL BE MITIGATED BY (A) PREPONDERANCE OF GERMAN TRADE WITH COUNTRIES WHOSE DM EQUIVALENT PURCHASING POWER IS ONLY SLIGHTLY AFFECTED BY THE CURRENT DOLLAR DECLINE, AND (B) GREATER IMPORTANCE OF FACTORS OTHER THAN PRICE. E.G., FINANCING, DELIVERY TIME, SERVICE, ETC. THEY BELIEVE THAT THE STRENGTHENING LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 FRANKF 05471 230754Z

OF THE MARK WILL RETARD ONLY SLIGHTLY GERMAN ECONOMIC RECOVERY AND A RISE IN EMPLOYMENT, BUT COULD EXACERBATE THE POLITICAL PROBLEMS OF THE BONN GOVERNMENT IF IT CONTINUED.

5. OUR CONTACTS MINIMIZE GLOBAL INFLATIONARY EFFECTS OF THE DOLLAR'S DECLINE, SINCE THE U.S. TRADE BALANCE, EXCLUDING OIL, IS STRONGLY POSITIVE, AND OIL BILL IS PAID FOR IN DOLLARS. SOME LOCAL BANKERS DO ANTICIPATE AN ADDITIONAL OPEC OIL PRICE INCREASE IN AN EFFORT BY OPEC COUNTRIES TO MAINTAIN REAL IMPORT PURCHASING PARITY FOR GOODS DENOMINATED IN STRONGER CURRENCIES, E.G., GERMAN MARKS, AND COMMENT THAT THE DOLLAR APPEARS INCREASINGLY LESS ATTRACTIVE FOR OPEC COUNTRIES TO HOLD.

6. OTHER RAMIFICATIONS OF THE RECENT DOLLAR DECLINE, AS MIRRORED BY OUR BANKING CONTACTS, INCLUDED: (A) THE POSSIBILITY OF SWEDEN AND/OR DENMARK DROPPING OUT OF THE "SNAKE" OR THE ABANDONING OF PRESENT PARITIES; (B) HEIGHTENED INTEREST AND ACTIVITY IN GERMAN DIRECT INVESTMENT IN THE USA; (C) DIS-

INCLINATION AMONG GERMAN INVESTORS TO PURCHASE
U.S. SECURITIES AT LEAST UNTIL THE PROSPECT FOR
THE LONGER-TERM VALUE OF THE DOLLAR IS CLEARER; AND
(D) AN ENHANCED ROLE FOR THE DM AS A TRADING
CURRENCY.LEHMANN

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: FINANCIAL STABILITY, PRESS COMMENTS, BANKERS, FOREIGN EXCHANGE RATES, MARK (CURRENCY), DEVALUATIONS
Control Number: n/a
Copy: SINGLE
Sent Date: 23-Jul-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977FRANKF05471
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770263-0694
Format: TEL
From: FRANKFURT
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770726/aaaaawhs.tel
Line Count: 121
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 9ed2f264-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 02-Feb-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1768795
Secure: OPEN
Status: NATIVE
Subject: FRANKFURT BANKERS VIEWS ON RECENT DOLLAR DECLINE
TAGS: EFIN, GE, US
To: STATE
Type: TE
vdkgvwkey: odhc://SAS/SAS.dbo.SAS_Docs/9ed2f264-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009